

DRAFT Addendum #_____ to The Master Agreement for Government Reinvention and Project Services Between the Department of Management and The Public Strategies Group.

**Project Agreement Between
Department of Administrative Services (DAS)
And
Public Strategies Group (PSG)**

A. PURPOSE:

The purpose of the Addendum is to form a partnership between the Department of Administrative Services (“DAS”) of DAS and The Public Strategies Group (PSG) to assist in DAS’s continued transformation to an entrepreneurial, customer-focused organization. All work carried out through this partnership will be consistent with the strategic direction of DAS and conducted under the supervision of the Director of DAS. This Addendum furthermore provides for specific and more in-depth assistance to the General Services Enterprise (“GSE”) of DAS, to assist the enterprise in implementing the specific transformation framework developed through this partnership.

B. RESULTS:

The Partnership will produce three overall results for DAS.

- Improved customer satisfaction with DAS services
- Improved DAS revenues from services
- Improved employee satisfaction

The Partnership will produce additional more specific results for GSE, pursuant to work plans, which shall be reasonably and in good faith mutually agreed to by the Director of DAS and PSG’s project manager.

- Improved customer satisfaction with GSE services (measured by % improvement)
- Improved GSE revenues with reduced rates to current GSE customers (measured by \$ increase in revenues over 2005 baseline)
- Improved employee satisfaction (measured by % improvement)

C. PROJECT PLANS: DAS will work with PSG to develop detailed work plans for overall DAS transformation. The work plans will detail the specific deliverables that PSG will be required to deliver.

1. Development of a training plan and process redesign methodology and plan for DAS and its employees. The training plan will include specific

courses that will be available to DAS employees to assist them in transformation efforts.

2. Development of a high-level calendar 2005 work plan for DAS transformation. To be completed within two months of signing this agreement.
3. Development of a detailed implementation plan for GSE transformation, which will be modified as the strategies are implemented, with mutual consent of the parties.

GSE will work with PSG to develop separate work plans to address GSE transformation. The work plans will detail the specific deliverables that PSG will be required to deliver.

An initial work plan for GSE transformation will be developed that includes, but will not be limited to, the following deliverables:

1. Development of strategy for customer council engagement and buy-in of GSE transformation efforts. To be completed by March 1, 2005.
2. Development of a high-level calendar 2005 work plan for GSE transformation. To be completed within two months of signing this agreement.
3. Development of a strategy to integrate GSE transformation initiatives with DAS strategy. This integration includes initiatives currently underway such as Customer Relationship Management (CRM)/billing project, service catalog, order intake, consumption details, billing systems, accounts receivable, trouble ticket, time tracking and costing and rate setting, in addition to other services offered by DAS Core such as marketing.
4. The development, by mutual consent of the parties, of a detailed implementation plan for GSE transformation, which will be modified as the strategies are implemented.

D. TRANSFORMATION EFFORTS:

Transformation of DAS and GSE, could take several paths aimed at increasing the value for DAS customers and taxpayers, through transforming the operations, culture and financial framework of the organization. The result is a post-bureaucratic, entrepreneurial organization.

The transformation will focus on five levers of change:

Purpose: What is our strategy for making our mission drive all behavior?

Accountability: What is our strategy for getting everyone focused on their customers?

Incentives: What is our strategy for making performance consequential?

Power: What is our strategy for pushing decision-making down and out in the organization?

Culture: What is our strategy for changing the culture?

The transformation in DAS and GSE has already begun. PSG will serve an architectural role in the continued transformation of DAS and GSE—helping to integrate existing activities, build on past successes and introduce new initiatives.

The work plans listed in Section C above will outline the deliverables PSG will provide in support of the implementation, including implementation assistance, staff training and additional knowledge transfer strategies.

Examples of activities to assist DAS and GSE in developing and implementing the strategies identified above may include:

Coaching - providing guidance, insight and perspective to each level of the organization as it is appropriate on implementing the principles of entrepreneurial government.

Strategic Planning Development – facilitating and providing technical knowledge to GSE as it develops its strategies for transformation.

Design Labs™ - intensive, structured sessions to help the public sector develop creative new approaches to the delivery of public services.

Process Improvement Facilitation – streamlines and improves the results received by existing approaches to the delivery of public services.

Training Sessions and Workshops for Employees - content may include principles of reinvention, including focusing on the customer, creating consequences for performance, and empowering the organization.

Change Management Coaching and Training – assisting the organization embrace the change is a critical component to ensuring success with any transformation effort.

Facilitating new relationships with customers – a new approach to customers can require assistance to the new customers to understand and embrace their newly expanded influence with the organization.

Facilitating new relationships with suppliers – redefining the relationship with suppliers is a critical link to ensuring performance is consequential, with creation of performance contracts being a critical component of those new relationships.

The result of the transformation will be an organization that is clear about its mission, is fully accountable to its customers, performance matters, employees are empowered and a new culture emerges anchoring this new way of doing business. The result – customers and taxpayers will experience increased value.

E. RESPONSIBILITIES:

Under principles set forth in PSG's Reinvention Partnership proposal to the State of Iowa and under the provisions of the Master Agreement to which this addendum is appended, the relationship anticipated under this addendum is a partnership rather than a vendor customer relationship. Both parties to the partnership are equally accountable for producing the three results upon which this addendum is based.

Each of the partners, however, has a special role to play.

DAS/GSE Role:

- Assign leadership and project team for DAS transformation
- Assign leadership and project team for GSE transformation
- Assign leadership and project team for sourcing initiative. Strategic sourcing is an initiative that improves the value that state agencies receive for goods and services.
- Make pursuit of DAS and GSE transformation and the sourcing initiative a top priority over the current and next two fiscal years
- Keep customers, legislators and other stakeholders apprised of both initiatives
- Collect quarterly data on customer satisfaction and employee satisfaction
- Challenge employees and other stakeholders to undertake change, and persevere on this course in the face of inevitable barriers and setbacks

PSG Role:

Provide deliverables as outlined under the work plans, which will include:

- Organization change management support and training for DAS and GSE as needed.
- Hiring at PSG expense such sub-contractors as are necessary to further the DAS transformation and complete the GSE transformation. The sub-contractors and specific scope of work will be agreed to jointly by PSG and DAS/GSE.
- Provide consultation and oversight to ensure the successful implementation of the strategic sourcing initiative, including facilitating customer involvement and support.
- Conduct quarterly "learning on the go" reviews of both the strategic sourcing and DAS/GSE transformation projects.

F. FORMULA FOR COMPENSATION

PSG will receive compensation based on:

- a) Results in increasing revenue to GSE purchasing revolving fund, (FY '05,'06, '07)

- b) Improved GSE performance results (FY '07)
- c) Producing specific deliverables.

- In fiscal year '05, PSG will be paid 45% of the net increase in revenue due to new rebates or other revenues instituted as of January 01, 2005. A description of the new revenue sources will be attached to this addendum. The attachment will be updated as new revenue materializes.
- In fiscal year '06, PSG will be paid 45% of the net increase in revenue received in the purchasing revolving fund, excluding any general fund appropriations made for the purpose of strategic sourcing. GSE and PSG will mutually agree on a baseline for determining net revenue that will include a review of FY '05 actual expenditures, revenue sources generated in FY '05 that will continue in FY '06, and balance brought forward from FY '05 to FY '06.
- In fiscal year '07, PSG will be paid 20% of the net increase in revenue received in the purchasing revolving fund above the FY '05 agreed upon baseline.
- PSG can earn an additional 10% in fiscal year '07 based on performance measures achieving targeted levels. The targets and measures will be mutually agreed to during FY '06.

GSE and PSG will mutually agree on share in revenue compensation for additional revolving funds based on future work plans and their impact with the respective funds. Such agreement will be in writing and will become an amendment to this addendum.

Other DAS enterprises may enter into separate addendum to assist the enterprise in implementing the transformation framework developed as a part of this partnership.

Compensation for revenue increases will be paid quarterly, payable 45 days after the close of the quarter in compliance with State of Iowa Code guidelines. Timing of other payments will be made in accordance with the work plans and State of Iowa Code. After the close of the fiscal year, the parties will review revenue in the purchasing revolving fund to determine the correct annual amount. . Based on the review, quarterly payments will be adjusted to produce the correct annual compensation.

G. FORMULA FOR COMPENSATION IN THE EVENT THE MASTER AGREEMENT IS TERMINATED BY THE STATE BEFORE THE REINVENTION PROJECT IS COMPLETE:

In the event the master agreement is terminated before the projects in this addendum are completed:

- To the extent that the Master Agreement allows for continuation of the Addendum, the Addendum will continue.

- To the extent it does not enable continuation of the Addendum, PSG will be entitled to payments through the end of the then current fiscal year for revenue attributed to its efforts pursuant to the addendum terms.

H. ACCOUNTABILITY BETWEEN THE PARTNERS:

Collaboration on all aspects of these projects will be outlined through development of work plans, which shall be reasonably and in good faith mutually agreed to by the designated project leaders from both parties. DAS, GSE and PSG will meet monthly to review the progress of work plans.

PSG will:

- Provide DAS/GSE with monthly feedback on status of the projects including any concerns or issues that the partnership needs to address
- Provide DAS/GSE with the opportunity to pre-approve PSG's project personnel and sub-contractors
- Provide DAS/GSE with a project definition, time schedule, cost information, support plans and monthly progress reports for each phase of the transformation effort.

DAS/GSE will:

- Approve deliverables, based upon the criteria in the work plans
- Assure prompt payment in compliance with Iowa Code 8A.514.
- Provide PSG with monthly financial reports on all GSE operations including revenues for the purchasing revolving fund.

I. KNOWLEDGE AND SKILL TRANSFER:

PSG will utilize three strategies to transfer knowledge and skills.

- 1) Hands-On Experience – While PSG or subcontractors will facilitate implementation and provide technical guidance for deliverables; DAS/GSE employees will be integrally involved in each initiative. PSG and its subcontractors will develop and manage carefully planned coaching relationships with their DAS/GSE counterparts.
- 2) Workshops and Structured Training – Pursuant to the work plans, PSG will provide workshops and more structured settings to transfer unique knowledge and skills. Documentation of training will be provided to DAS/GSE management and employees as necessary.
- 3) “Learning on the go” after action reviews will systematically capture learning from the transformation experience and apply that learning to

challenges facing DAS/GSE and its employees. Next steps will be conveyed in writing to DAS director and GSE Chief Operating Officer.

J. AMENDING THIS DOCUMENT

This agreement may be amended, from time to time, by mutual agreement of the parties. Work plans developed under this agreement will be appended to this document.

All provisions of the master agreement are incorporated into this addendum by this reference.